

**DEPARTMENT OF STATE REVENUE**  
**LETTER OF FINDINGS: 06-0157**  
**Indiana Adjusted Gross Income Tax**  
**For 1999, 2000, 2001**

NOTICE: Under IC 4-22-7-7, this document is required to be published in the Indiana Register and is effective on its date of publication. It shall remain in effect until the date it is superseded or deleted by the publication of a new document in the Indiana Register. The publication of the document will provide the general public with information about the Department's official position concerning a specific issue.

**ISSUE**

**I. Proposed Assessment – Adjusted Gross Income Tax.**

**Authority:** IC 6-3-1-1 et seq.; IC 6-3-1-3.5(a); IC 6-3-1-8; IC 6-3-1-9; IC 6-3-1-12; IC 6-3-1-15; IC 6-8.1-5-1(b); 26 U.S.C.S. § 61(a); 26 U.S.C.S. § 62.

Taxpayer cites to provisions of the Uniform Commercial Code for support of her contention that she is not liable for proposed assessments of Indiana Adjusted Gross Income Tax.

**STATEMENT OF FACTS**

After the Department of Revenue (Department) found that taxpayer had failed to pay state income tax during 1999, 2000, and 2001, the Department sent taxpayer a series of notices each labeled as a "Demand Notice for Payment." Taxpayer disagreed and forwarded correspondence to the Department indicating that – by virtue of a Uniform Commercial Code (UCC) "Statement of Assignment of Account" – the amount of taxes purportedly owed had been actually discharged.

Although later challenged by the taxpayer, the Department characterized taxpayer's disagreement as a "protest" and assigned the matter to a Hearing Officer. Accordingly, an administrative hearing was scheduled for June 12, 2006, in order to provide taxpayer the opportunity to explain the basis for taxpayer's disagreement. In a letter dated June 2, 2006, taxpayer stated that "this matter is NOT a 'Tax Protest'" and that she was "not in Privity with my STRAWMAN." Taxpayer concluded that because the Department had scheduled the June 12 hearing, the Department had – by default – fully discharged the debt. This Letter of Findings is written to clarify the Department's position and in response to taxpayer's self-styled "Dispute of Claim."

**DISCUSSION**

Under authority of the Indiana Constitution, the General Assembly enacted the Adjusted Gross Income Tax of 1963 (Act). IC 6-3-1-1 et seq. The Act defines "adjusted gross income" in the case of individuals, as the term is defined in 26 U.S.C.S. § 62 with certain

modifications specific to Indiana. IC 6-3-1-3.5(a). Thus “adjusted gross income” is, “in the case of an individual, gross income minus . . . [certain] deductions.” 26 U.S.C.S. § 62. Similarly, the Act incorporates the definition of “gross income” as found in I.R.C. § 61(a). IC 6-3-1-8. Therefore, “gross income” consists of “all income from whatever source derived . . . .” 26 U.S.C.S. § 61(a).

The Department sent taxpayers Demand Notices for unpaid individual state income tax. Taxpayer responded by forwarding a “Statement of Assignment of Account.” The document contains taxpayer’s notarized signature and states in small part as follows:

That the party of the first part (taxpayer) under the doctrine of necessity, in consideration of the sum up to the limited amount of the enclosed claim of [] as of April 27, 2006 is assigning an interest in the UCC Contract US Treasury Account Number [] as tender of payment thereof; on this date of April 24, 2006, I assign and transfer to original debtor for payment to party of the second part (Assignee Indiana Department of Revenue, PO Box 0595, Indianapolis, In 46206 [] at or before the ensealing delivering of these presents, set over unto the said party of the second part and in accordance with the Terms of the Indemnity Clause contained within the enclosed Commercial Security Agreement and executed by Secured Party, together with the claim or obligation discribed (sic) in said claim and the money due and to become due thereon with interest acrued (sic) and owing thereon upon demand in accord with H.J.R. 192 and United States Code Title 31, Section 5118 and 5119 at par.

Taxpayer also forwarded a seven-page “Commercial Security Agreement” in which taxpayer apparently transferred “certain Collateral and goods” in exchange for a “security for payment of all sums due . . . .” The “Commercial Security Agreement” was between the “real man” secured party and the “Juristic Person/Strawman/Dummy Corporation” having the same name as the “real man” but designated as an “organization.” The seven-page, densely written, and detailed document contains various provisions, all of which – to taxpayer’s apparent satisfaction – effectively immunizes taxpayer from liability for state income taxes.

IC 6-8.1-5-1(b) states in relevant part that “The notice of proposed assessment is prima facie evidence that the department’s claim for the unpaid tax is valid. The burden of proving that the proposed assessment is wrong rests with the person against whom the proposed assessment is made.”

Taxpayer has failed to meet the burden of demonstrating that the proposed assessments are incorrect. Taxpayer’s lengthy documents are nothing more and nothing less than legal mumbo-jumbo and are entirely irrelevant to resolving the question of whether taxpayer owes state income tax for 1999, 2000, and 2001. The Department will not expend its efforts in attempting to decipher such impenetrable language as “The conditions of this obligation are such that if Secured Party suffers any loss of Vested rights in the said Collateral Property or Monetary Losses due to debts claimed against the aforesaid Collateral Property, or the Debtor, who binds himself by this obligation to make advance payments from Debtor’s U.S. Treasury Accounts established under IMF, BMF, IRAF, EPMG (temporary, permanent and current) accounts to any and all who make debt claims against any of the Collateral or

Vested Rights in said Collateral of Secured Party, this obligation shall bind the Debtor in all respects, to fully and faithfully comply with all applicable provisions of law.”

Taxpayer has attempted to resolve her potential tax liabilities with numerous empty words. Obscure technicalities and wishful thinking aside, given that taxpayer received gross income during 1999, 2000, and 2001, is an “individual” under IC 6-3-1-9, was a resident of Indiana during 1999, 2000, and 2001 (IC 6-3-1-12), and is a “taxpayer” as defined within IC 6-3-1-15, the statutes imposing Indiana individual income tax apply to the taxpayer’s income as they do to each and every other resident of this state.

### **FINDING**

Taxpayer’s protest is denied.

DK/CD/JM – 061406